

UNITED STATES DISTRICT COURT

DISTRICT OF CONNECTICUT

GRAND JURY H-04-1

UNITED STATES OF AMERICA

Criminal No.

v.

BLAKE A. PRATER

VIOLATIONS:

Securities Fraud

(15 U.S.C. §§ 77q(a), 77x)

Mail Fraud

(18 U.S.C. § 1341)

Money Laundering

(18 U.S.C. § 1956(a)(1)(A)(i))

Engaging in Monetary Transactions with Proceeds
of Specified Unlawful Activity

(18 U.S.C. § 1957)

INDICTMENT

The Grand Jury charges:

COUNTS ONE THROUGH FIVE

Securities Fraud

(15 U.S.C. §§ 77q(a), 77x)

Introduction

At all times relevant to this Indictment:

1. Wellspring Capital Group, Inc. (referred to herein as “Wellspring Capital”) was a Connecticut corporation that conducted business from a residence located at 63 Davis Drive in Guilford, Connecticut, and from offices located at 41 Kings Highway, Gales Ferry, Connecticut, and 37 Catherine Street, St. Albans, Vermont. It was located on the Internet at www.wellspringcapitalgroup.com. Wellspring Capital promoted, offered, and sold a variety of financial products promising exorbitant rates of return.

2. MpactVentures Ltd. (“MpactVentures”) purported to be the business acquisitions and management arm of Wellspring Capital. It was located on the Internet at www.mpactventures.net. MpactVentures held itself out as a “Venture Development” firm which engaged in a “hybrid combination of venture capital, portfolio mergers and acquisitions, ‘turn-around’ management, investment banking, and finance management.”

3. Defendant BLAKE A. PRATER, a resident of Guilford, Connecticut, was the President and director of Wellspring Capital, the founder and director of MpactVentures and the President and director of several affiliated businesses: MpactPlayers, Ltd., a Vermont corporation; MpactXchange Ltd., a Vermont corporation; and MpactPlayers of Connecticut, Inc., a Connecticut corporation.

4. Wellspring Capital was not registered with the Securities and Exchange Commission (“SEC”) as an investment company, investment advisor, broker dealer, or in any other capacity, and was not registered with the National Association of Securities Dealers (“NASD”) in any capacity.

5. Defendant PRATER controlled Wellspring Capital bank accounts at numerous financial institutions, including Citizens Bank, Webster Bank, and Banknorth, N.A., all of which are engaged in, and the activities of which affect, interstate and foreign commerce.

6. Defendant PRATER, acting as an officer of Wellspring Capital, and working together and with others known and unknown to the Grand Jury, conducted business throughout the United States, including the State of Connecticut, specifically by promoting financial products on web sites, placing telephone calls, mailing correspondence, soliciting investment funds, selling financial products, and receiving funds from investors.

The Scheme and Artifice

7. Beginning in or about September 2002, and continuing until in or about September 2003, in the District of Connecticut and elsewhere, the defendant, BLAKE A. PRATER, by use of means and instruments of interstate commerce, in the offer and sale of securities, (1) employed a device, scheme, and artifice to defraud, (2) obtained money and property by means of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made not misleading, in light of the circumstances under which they were made, and (3) engaged in transactions, practices, and courses of business that operated as a fraud and deceit upon the purchasers of these securities, as more fully described below.

Purpose of the Scheme and Artifice

8. The purpose of the scheme and artifice to defraud was for the defendant to fraudulently obtain money from investors through the offer and sale of financial products with purportedly exorbitant rates of return.

Manner and Means of the Scheme and Artifice

The manner and means by which the defendant sought to accomplish the scheme and artifice included, among others, the following:

9. It was part of the scheme and artifice to defraud that defendant PRATER would and did make and cause others to make materially false and misleading representations and omissions to investors about defendant PRATER's background, knowledge, and experience.

10. It was part of the scheme and artifice to defraud that defendant PRATER, initially through an entity known as Wellspring Communities Corporation ("WCC") and later through

Wellspring Capital, would and did fraudulently offer and sell “Right-to-Receive Agreements” (hereinafter, “RTRs”) to investors, which contained materially false and misleading representations and omissions, including but not limited to:

A. That WCC was the “beneficial owner” of “equity ownership units” in a “Vermont limited liability company,” when in truth and in fact, as defendant PRATER well knew, WCC was not an owner of any such units in a Vermont limited liability company, and in most instances no such Vermont limited liability company even existed.

B. That WCC was “entitled to receive distributions” from the limited liability company “of profits and/or capital returns generated through the course of” the limited liability company’s “normal business activities,” when in truth and in fact, as defendant PRATER well knew, there were no such “normal business activities” of the limited liability company from which to generate any such profits or capital returns.

C. That in exchange for an upfront payment, WCC agreed to “divert” distributions to which it was entitled from the limited liability company, when in truth and in fact, as defendant PRATER well knew, there were no such distributions to divert to the investor.

11. It was part of the scheme and artifice to defraud that defendant PRATER, through Wellspring Capital, would and did fraudulently offer and sell various “financial products” promising enormous rates of return to investors under a program called “Defined Equity Account Limited Liability Company” or “DEAL,” including but not limited to the following financial products:

A. The RTRs described in paragraph 10 above.

B. The “CarDEAL Payment Coverage Plan,” under which participants would

and did pay Wellspring Capital a small payment in advance (typically the rebate received on the purchase of a car) in exchange for Wellspring's guarantee that it would make the monthly car payments for the participant for a period of three, four or five years.

C. The "Rent Relief" Plan, under which participants would pay upfront a fee equivalent to three months rent in exchange for Wellspring Capital's guarantee that it would pay the participant's rent for the next two years.

D. The "Payroll Replacement Plan," at times also known as the "Business Expense Replacement Plan" (or "B.E.R.P."), under which participants would and did make an upfront payment of any amount in exchange for Wellspring Capital's guarantee that beginning nine weeks later it would pay the participant one quarter of the upfront payment for the following 43 weeks.

12. It was a further part of the scheme and artifice to defraud that defendant PRATER would and did offer to pay, and paid, commissions to Wellspring Capital sales representatives for selling financial products in the "DEAL" program to investors.

13. It was a further part of the scheme and artifice to defraud that defendant PRATER would and did offer and sell the financial products contained in the "DEAL" program set forth above in paragraph 11 by means of materially false and misleading representations and omissions, including but not limited to the representation that "the financial resource that pays for the long-term obligations" associated with the various "financial products" sold under the "DEAL" program was companies acquired by MpactVentures. In truth and in fact, as defendant PRATER well knew, he had been receiving millions of dollars in investor funds through the sale of the financial products contained in the DEAL program before he ever purchased any

companies on behalf of MpactVentures, and in fact was paying off investors in the DEAL programs by using funds provided by new investors.

14. It was a further part of the scheme and artifice to defraud that defendant PRATER distributed a statement via electronic posting to investors in January 2003 that contained materially false and misleading representations and omissions, including but not limited to:

A. That MpactVentures made money in a variety of ways: “we buy companies, we run companies, we start companies, we manage companies we own and also those owned by others, we loan money to companies, we buy financial contracts from third party lenders, we buy and sell stocks in targeted public companies for quick profit, and many other things,” when in truth and in fact, as defendant PRATER well knew, MpactVentures was not doing any of the things he claimed it did at that time.

B. That MpactVentures profits “come from short-term investments – as short as 8 hours, as in overnight bank repurchase agreements,” when in truth and in fact, as defendant PRATER well knew, MpactVentures did not make profits from any overnight bank repurchase agreements, and in fact did not have any “overnight bank repurchase agreements.”

C. That defendant PRATER employed “a lot of highly sophisticated money management techniques that are generally done only by big money-center banks and investment houses around the world,” when in truth and in fact, as defendant PRATER well knew, he did not employ any such highly sophisticated money management techniques.

D. That MpactVentures gives its investors “a guaranteed profit on your investment in the short-term present,” when in truth and in fact, as defendant PRATER well knew, he was not financially able to guarantee a profit on moneys invested by investors.

E. That “we use your money in the short-term to acquire things that pay us much more in the long-term,” when in truth and in fact, as defendant PRATER well knew, the money being invested by investors was not being used to “acquire things,” but rather to pay off old investors to whom exorbitant rates of return had been fraudulently promised.

15. It was a part of the scheme and artifice to defraud that defendant PRATER would and did fraudulently conceal from investors in the DEAL programs that he was using investor funds to employ and send teams of gamblers to casinos to use a system that defendant PRATER claimed to have devised for winning at craps.

16. It was a further part of the scheme and artifice to defraud that in May 2003 defendant PRATER used approximately \$280,000 in investor funds to purchase a house in Guilford, Connecticut, and that he fraudulently concealed this fact from investors.

17. It was a further part of the scheme and artifice to defraud that in about August and September 2003 defendant PRATER, through MpackVentures, Ltd., purchased companies and inventory with investor funds in order to lend the appearance of legitimacy to Wellspring Capital and MpackVentures, Ltd.

18. It was further part of the scheme and artifice to defraud that defendant PRATER, through the Web sites of Wellspring Capital and MpackVentures, Ltd., would and did make materially false and misleading representations and omissions about the companies and inventories referred to in paragraph 17, above, including, but not limited to:

A. That immediately after the acquisition of a company called Elm Electric Supply, Inc., the company was “moved to larger facilities in anticipation of future expansion and growth,” and that a “streamlining of inventories was also implemented, along with a complete

computerization of inventory receiving and sales processing,” when in truth and in fact, as defendant PRATER well knew, the company did not move to a larger facility and no such computerization of inventory receiving and sales processing took place.

B. That a company called “Hot Rods, Lincolns and ‘A Mercury of Two’” was a company in MpactVentures Ltd.’s “current portfolio” which offered “unique opportunities for growth” and was “drawing clients from across the country,” when in truth and in fact, as defendant PRATER well knew, there was no such company in operation.

19. It was a further part of the scheme and artifice to defraud that defendant PRATER would and did attempt to lull investors into refraining from seeking the timely payment of their promised profits or the return of their investments by, among other things, encouraging investors to “reinvest” their principal and astronomical returns under programs called the “100% reinvest” and the “two-thirds reinvest” strategies, rather than receiving them in cash.

20. It was a further part of the scheme and artifice to defraud that defendant PRATER, through Wellspring Capital, would and did make payments to investors who did not opt for the “100% reinvest” and the “two-thirds reinvest” strategies with funds received from new investors.

21. As offered by defendant PRATER and his affiliated entities to investors, the financial products identified in Paragraphs 10 and 11 were securities within the meaning of the federal securities laws.

22. It was part of the fraudulent scheme that defendant PRATER and others known and unknown to the Grand Jury caused Wellspring Capital, MpactVentures, and other affiliated entities to offer the aforesaid securities to investors.

The Transmissions

23. On or about the dates listed for each count below, in the District of Connecticut and elsewhere, for the purpose of executing the aforesaid device, scheme, and artifice to defraud, and to obtain money and property by means of untrue statements of material facts and omissions necessary to make the statements made not misleading, in light of the circumstances under which they were made, and to engage in a transaction, practice, and course of business which would operate as a fraud and deceit upon the victim-investors, and attempting to do so, the defendant, BLAKE A. PRATER, did knowingly and willfully use and cause to be used the following means and instruments of communication in interstate and foreign commerce, in the offer and sale of securities:

Count	Date	Means and Instruments of Interstate Commerce
1	8/29/03	web site located at www.wellspringcapitalgroup.com
2	8/29/03	web site located at www.mpactventures.net
3	9/27/02	web site located at www.dealmakerclub.com
4	9/4/03	web site located at www.cardealnow.com
5	1/24/03	electronic posting with subject line: "explanation of how he makes money..."

All in violation of Title 15, United States Code, Sections 77q(a) and 77x. __

COUNTS SIX THROUGH EIGHT
MAIL FRAUD
(18 U.S.C. § 1341)

24. The allegations in Paragraphs 1 through 23 above are realleged and incorporated by reference as though set forth herein.

25. Beginning in or about September 2002, and continuing to in or about September 2003, in the District of Connecticut, and elsewhere, defendant BLAKE A. PRATER devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, which scheme is described in paragraphs 1 through 23 of this Indictment.

26. On or about the dates set forth below, in the District of Connecticut and elsewhere, defendant BLAKE A. PRATER, for the purpose of executing and attempting to execute the aforementioned scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, did knowingly cause to be placed in a United States Post Office or other authorized depository for mail matter, the following items to be sent and delivered by the United States Postal Service according to the directions thereon, and caused to be deposited the following items to be sent and delivered by private and commercial interstate carriers, each placing and deposit a separate count of the indictment:

Count	Date	Mail Matter
6	12/26/02	Checks #1152 and #1153 drawn on an account held by E.H.
7	7/2/03	U.S. Postal Money Order made payable to Springpay, Inc. purchased by J.A.
8	5/29/03	Payroll Replacement Plan Enrollment Form submitted to Wellspring Capital by G.S. on behalf of a corporation

All in violation of Title 18, United States Code, Section 1341.

COUNTS NINE THROUGH FOURTEEN

Money Laundering
(18 U.S.C. § 1956(a)(1)(A)(i))

27. The allegations in Paragraphs 1 through 26 above are realleged and incorporated by reference as though set forth herein.

28. On or about the dates set forth below, in the District of Connecticut and elsewhere, the defendant, BLAKE A. PRATER, did knowingly conduct and attempt to conduct the following financial transactions affecting interstate commerce and involving the use of a financial institution engaged in interstate commerce, which financial transactions involved the proceeds of specified unlawful activity, that is, securities fraud, in violation of Title 15, United States Code, Section 77q(a), and mail fraud, in violation of Title 18, United States Code, Section 1341, with the intent to promote the carrying on of the specified unlawful activity, and knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity:

<u>Count</u>	<u>Date</u>	<u>Financial Transaction</u>
9	5/30/03	Purchase of cashier's check # 276645962 (Banknorth, N.A.) in the amount \$269,790.45 used for purchase of home at 63 Davis Drive, Guilford, Connecticut
10	7/30/03	Wire transfer from Wellspring Capital account at Banknorth Connecticut to Dell Computer's account at Mellon Bank in the amount of \$27,234.58 to purchase computer-related equipment.
11	8/1/03	Purchase of cashier's check #840452140 (Banknorth, N.A.) in the amount of \$63,400.00 used for purchase of toy store inventory
12	8/4/03	Purchase of the assets of Elm Electric Supply, Inc. with Wellspring Capital check #7593 (Banknorth Connecticut) in the amount of \$150,000.00
13	8/20/03	Payment by Wellspring Capital check #5521 (Banknorth Connecticut) in the amount of \$1,920.00 to charter a round-trip flight between Chester, Connecticut, and Watertown, NY
14	8/19/03	Purchase of cashier's check #840452156 (Banknorth, N.A.) in the amount of \$250,000.00 used for purchase of trucking company

All in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i).

COUNTS FIFTEEN THROUGH EIGHTEEN

Engaging in Monetary Transactions
with Proceeds of Specified Unlawful Activity
(18 U.S.C. §§ 1957 and 2)

29. The allegations in Paragraphs 1 through 26 above are realleged and incorporated by reference as though set forth herein.

30. On or about the dates set forth below, in the District of Connecticut and elsewhere, defendant BLAKE A. PRATER did knowingly engage and attempt to engage in monetary transactions in criminally derived property of a value greater than \$10,000, all involving financial institutions which are engaged in, and the activities of which affect, interstate commerce, such property having been derived from specified unlawful activity, that is securities fraud (15 U.S.C. § 77q) and mail fraud (18 U.S.C. § 1341), as follows:

<u>Count</u>	<u>Date</u>	<u>Monetary Transaction</u>
15	5/30/03	Purchase of cashier's check # 276645962 (Banknorth, N.A.) in the amount \$269,790.45 used for purchase of home at 63 Davis Drive, Guilford, Connecticut
16	8/1/03	Purchase of cashier's check #840452140 (Banknorth, N.A.) in the amount of \$63,400.00 used for purchase of toy store inventory
17	8/4/03	Purchase of the assets of Elm Electric Supply, Inc. with Wellspring Capital check #7593 (Banknorth Connecticut) in the amount of \$150,000.00
18	8/19/03	Purchase of cashier's check #840452156 (Banknorth, N.A.) in the amount of \$250,000.00 used for purchase of trucking company

All in violation of Title 18, United States Code, Sections 1957 and 2.

FORFEITURE ALLEGATION UNDER 28 U.S.C. § 2461(c) & 18 U.S.C. § 981(a)
(Mail Fraud)

Upon conviction of one or more of the mail fraud offenses alleged in Counts Six through Eight of this Indictment, defendant BLAKE A. PRATER shall forfeit to the United States of America pursuant to 18 U.S.C. § 981(a)(1)(c) and 28 U.S.C. § 2461(c), all right, title, and interest in any and all property, real or personal, which constitutes or is derived from proceeds traceable to violations of 18 U.S.C. § 1341, including but not limited to the following:

Real Property:

- (a) Certain real property located at 63 Davis Drive, Guilford, Connecticut, more fully described on Attachment A to the Indictment.

Money Judgment:

- (b) A sum of money equal to the total amount of any property, real or personal, which constitutes or is derived from proceeds traceable to violations of 18 U.S.C. § 1341.

If any of the above-described forfeitable property, as a result of any act or omission of the defendant, cannot be located upon the exercise of due diligence, has been transferred, sold to, or deposited with a third party, has been placed beyond the jurisdiction of the court, has been substantially diminished in value, or has been commingled with other property which cannot be divided without difficulty, it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by Title 18, United States Code, Section 982(b), to seek forfeiture of any other property of said defendant up to the value of the forfeitable property described above.

All in accordance with Title 18, United States Code, Section 981(a)(1) as incorporated by Title 28, United States Code, Section 2461(c), and Rule 32.2(a), Federal Rules of Criminal Procedure.

FORFEITURE ALLEGATION UNDER 18 U.S.C. § 982(a)
(Money Laundering)

Upon conviction of one or more of the money laundering offenses alleged in Counts Nine through Eighteen of this Indictment, defendant BLAKE A. PRATER shall forfeit to the United States of America pursuant to 18 U.S.C. § 982(a)(1), all right, title, and interest in any and all money and other property involved in each offense in violation of 18 U.S.C. §§ 1956 and 1957, and all property traceable to such property, including but not limited to the following:

Real Property:

- (a) Certain real property located at 63 Davis Drive, Guilford, Connecticut, more fully described on Attachment A to the Indictment.

Money Judgment:

- (b) A sum of money equal to the total amount of any property, real or personal, which constitutes or is derived from proceeds traceable to violations of 18 U.S.C. §§ 1956 and 1957.

If any of the above-described forfeitable property, as a result of any act or omission of the defendant, cannot be located upon the exercise of due diligence, has been transferred, sold to, or deposited with a third party, has been placed beyond the jurisdiction of the court, has been substantially diminished in value, or has been commingled with other property which cannot be divided without difficulty, it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by Title 18, United States Code, Section 982(b), to seek forfeiture of any other property of said defendant up to the value of the forfeitable property described above.

All in accordance with Title 18, United States Code, Section 982(a)(1), and Rule 32.2(a), Federal Rules of Criminal Procedure.

A TRUE BILL

FOREPERSON

KEVIN J. O' CONNOR
UNITED STATES ATTORNEY

PETER S. JONGBLOED
CHIEF, CRIMINAL DIVISION

JONATHAN BIRAN
ASSISTANT UNITED STATES ATTORNEY

ERIC J. GLOVER
ASSISTANT UNITED STATES ATTORNEY